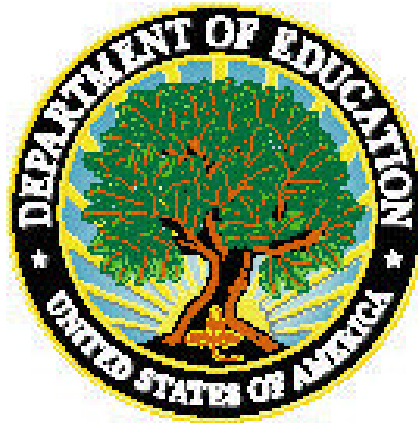


SFA Modernization Partner Project LEGACY CONTRACT TRANSITION PLAN

Direct Loan Servicing System System (DLSS)



Part 1 System Write-up

DIRECT LOAN SERVICING SYSTEM SYSTEM (DLSS)

CHANNEL:	Students
BUSINESS MANAGER:	Dan Hayward
COTR:	Michael Murray
CONTRACTOR:	ACS
CONTRACT NUMBER:	PM-94-0170-01
CONTRACT AWARD DATE:	December 21, 1993
CONTRACT EXPIRATION DATE:	September 30, 2003
ANNUAL CONTRACT COSTS:	\$180 million

(The Loan Servicing portion of the Contract is based on a fixed fee per borrower serviced - For other than loan servicing – the contract is based on a fixed fee per deliverable).

DLSS is the system used by schools to service Direct Loans while student is in school, in Grace Period, in deferment of forbearance, or repayment status. It is the Direct Loan Status administrator. DLSS provides the billing, applies repayments, deferments and forbearances. It is the transaction register (noting interest, principal and fees support). Provides a Call Center (400 to 500 service reps provided by Raytheon). DLSS sends info to NSLDS on a monthly basis. Information sent to NSLDS includes loan balances and interest charged and accrued.

The system is operated on an ES9000 mainframe. Hardware maintained by CSC (VDC contract) in Meridan, CT.

DLSS FUNCTIONS

Document Handling:

On the front-end DLSS receives repayments (by check and autodebits) of student loans. There are approximately 1.5 million repayments per month totaling approximately \$300 million. Other mail also received and sent out (e.g. monthly billings) - total mail handling approximates 100 million pieces per year. Printing is done by ACS in several of its facilities around the country. Bulk mailing done by ACS. Small volume custom printing done by a small 8(a) printer in Langhorn, PA.

Lockbox and EDA Repayments:

Repayments are received in a lockbox (operated by Bank of America utilizing an interagency agreement with Dept. of Treasury. The EDA (collection of funds via automatic withdrawal from paychecks) contract is also with Dept. of Treasury.

Default Collections:

DLSS still services Defaulted Direct Loans which are 270 to 360 days old. The reason for this is that FFEL Loans are considered in default at 270 days but are turned over to GA's from lenders at that point. The GA's have another 90 days to work the loan before they can turn it over to DCS for servicing. Therefore, it was unfair to turn Direct Loans over to DCS until they were 360 past due.

Customer Service – Students, Schools, Lenders and GA's:

Provides a website – www.DLSServicer.com. In addition 2 Call Centers are maintained – one in Utica, NY the other in Bakerfield, CA. Services include borrower account inquiries, borrower counseling, repayment options and presents borrower with repayment incentives and consolidation choices. Also accepts call from schools regarding account inquiries.

Financial Management Function:

Provides all Direct Loan data for CFO. Also conducts skip traces for IRS. Process loan repayments and tracks this data. Certifies loan information for consolidations to DLO.

IV & V:

DLSS has its own quality assurance contract with Deloitte & Touche (D&T). D&T reports to ACS and to DLC.

WHO USES DLSS?

External Users:

- Schools
- Students
- Lenders & GA's
- IRS

Internal Users:

- DLO (Direct Loan Originating)
- DLO – Consolidations
- NSLDS
- CFO

ANNUAL CONTRACT COST – OFSA FUNCTION PERCENTAGES

The annual contract costs for DLSS approximately \$180 million. The approximate percentages and annual cost for the base OFSA functions (as outlined in the OFSA Contracts/functions Matrix) are as follows:

Document Handling	%	\$	million
Lock Box and EDA	%	\$	million
Default Collections	%	\$	million
Customer Service – Students	%	\$	million
Customer Service – Students	%	\$	million
Customer Service – Lenders & GA's	%	\$	million
FMS	%	\$	million
Analytical/Management Support	%	\$	million

PLANNED ENHANCEMENTS

None

PROBLEMS

- Timeliness of information to NSLDS – causes difference in information provided on Direct Loan website and NSLDS webiste.